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RR RUEHWEB

DE RUEHPE #4528/01 3332026  
ZNR UUUUU ZZH  
R 292026Z NOV 06  
FM AMEMBASSY LIMA  
TO RUEHC/SECSTATE WASHDC 3135  
INFO RUEHBO/AMEMBASSY BOGOTA 4138  
RUEHBR/AMEMBASSY BRASILIA 7108  
RUEHBU/AMEMBASSY BUENOS AIRES 2691  
RUEHCV/AMEMBASSY CARACAS 9975  
RUEHGE/AMEMBASSY GEORGETOWN 0506  
RUEHLP/AMEMBASSY LA PAZ NOV PARAMARIBO 0143  
RUEHQT/AMEMBASSY QUITO 0853  
RUEHSG/AMEMBASSY SANTIAGO 0976  
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC  
RUEHC/DEPT OF INTERIOR WASHINGTON DC

UNCLAS LIMA 004528

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DEPT FOR WHA/AND, EPSC AND OES/ETC, ENV  
BRASILIA FOR ESTH HUB - J STORY  
USAID FOR LAC, EGAT  
USDA FOR /AS/FAA/BAILEY, /FAS/ITP/FSTSD/BREHM, /FS/MAYHE W  
INTERIOR FOR USFWS/GABRIEL, ST. JOHN  
USTR FOR MARA BURR

SIPDIS  
SENSITIVE

E.O. 12958: N/A  
TAGS: [EAGR](#) [SENV](#) [ETRD](#) [EAID](#) [ECON](#) [PE](#)  
SUBJECT: FORESTRY IN PERU: FIGHTING ILLEGAL LOGGING AND CORRUPTION

REF: Lima 1534

11. (U) SUMMARY: Peru's timber exports have been growing at 14% a year for the past five years, and overseas demand for the country's fabled mahogany and other tropical hardwoods is growing. Yet illegal logging is significant, according to the GOP's top forestry official. There is growing evidence that the government certification and the export control systems in place fall victim to endemic corruption and poor organization. Inventories of key species are still inadequate and certification problems persist. However, there is reason for optimism in three areas: the new Garcia administration's focus on sustainable development, a commitment by newly-appointed forestry officials to improve conditions, and successes by the USAID-sponsored certification program. END SUMMARY.

#### ILLEGAL LOGGING

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12. Over the past two months, USAID Forestry program officers and ESTHoff have talked with a range of NGOs and indigenous community representatives who have first hand knowledge of the logging situation. We solicited information from respected international NGOs such as the Field Museum of Chicago and World Wildlife Fund (USAID partners), private companies engaged in mining whose employees have observed illegal logging, INRENA officials and indigenous community representatives. The uniform response was that corruption and poorly enforced illegal logging still thrives throughout the Amazon basin.

13. Logging, like mining or hydrocarbon extraction, is only permitted in Peru under license from the national government. In the forest products sector, this means either a commercial concession or an indigenous community permit. Since Reftel update, illegal logging appears to persist. The GOP's forest management agency, INRENA, is unable to either verify all concessions or patrol all protected areas to spot illegal logging. Since 2004, INRENA has verified 79 sites (out of around 575 concessions or permits). In March through July of 2006, 57 of the 79 concessions were inspected. In 50 of those, irregularities were found; typically no stump where a log had supposedly been taken the year before, indicating the log was

actually taken from a different area. There are few reliable figures for illegal logging in general in Peru, and estimates range from 70 to 90 percent.

#### USAID COMBATS ILLEGAL LOGGING WITH CERTIFICATION

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14. To counter illegal logging, USAID is in the midst of a multi year effort (Septel) to support certification of forests in a number of commercial concessions and indigenous communities; 400,000 ha of Peruvian forest have been certified, giving exporters and U.S. importers confidence in the legal acquisition of the wood traded. (Note: Export firms we talk to insist on a distinction between illegal logging and exports; many firms claim that exports are by and large legal, due to the documentation required. It is true that wood sold for domestic consumption requires less rigorous paperwork. End Note.) Likewise a number of chains of custody through the country have been certified (WWF has numbers, specific names and locations for that).

#### MAHOGANY, CITES AND INVENTORIES

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15. (U) Peru's National Agrarian University (UNALM) is making progress in its inventory of mahogany, the species most in danger; however, there is widespread concern that the UNALM inventory will not be completed in time to mitigate the effects of illegal logging. In addition, inventory of other species that may soon be threatened, such as cedar, will also be important. UNALM is the scientific authority for the listing of Mahogany under Appendix II of the Convention on International Trafficking in Endangered Species (CITES). The CITES Secretariat recently petitioned to the CITES Standing Committee to suspend all trade in Peruvian mahogany due to illegal logging and the alleged failure of UNALM to credibly show lack of detriment to the species from logging. While the Standing Committee decided not to recommend a trade ban (mainly on procedural grounds), Peru will be expected to make significant progress against illegal logging by the next CITES meeting in July 2007.

#### INTERNAL INRENA PROBLEMS

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16. (U) President Garcia's recently appointed Minister of Agriculture, Jose Salazar, has publicly criticized problems within INRENA: corruption, a cumbersome organizational structure and overly complicated documentation requirements. Salazar directed a reorganization of INRENA that is underway. INRENA's new Director has admitted that these problems exist and has promised to fix them.

17. (SBU) A USAID environment team visited a remote area of Loreto department and witnessed logging of a protected area firsthand; the team then visited the INRENA inspector the following day and was shown permits for those very logs, showing that they had been harvested from a legal concession. One of the Loreto region's Congressmen, Mario Fernando Pena told us that the main problem facing government officials, whether INRENA or local police, in the logging areas is corruption. INRENA forest inspectors are paid approximately \$200 per month. The temptation to accept bribes for valuable timber shipments is ever present.

#### CHAIN OF CUSTODY: DOCUMENT FABRICATION IN CONCESSIONS

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18. (SBU) INRENA Director Roberto Angeles admits that illegal logging is significant and pledged to combat it, including rooting out INRENA employees that he believed were part of the problem. USAID Environment Director and ESTHoff met with Roberto Angeles soon after he took office in September 2006, and again on November 17. USAID Mission Director and Environment Director also met with Mr. Angeles on November 20 and November 27. In Angeles' presentation to the CITES Standing Committee in October in Geneva, as well in meetings with USG in Peru, he admitted that false documentation resulted in denying export permits for 56 concessions out of the 79 inspected since 2004, and pledged priority attention to the matter.

#### EXPLOITATION OF INDIGENOUS COMMUNITIES

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19. (SBU) Numerous NGOs have done credible fieldwork to document logging as practiced on the ground. Data collection in August conducted by Round River Conservation Studies and ParksWatch Peru in the Alto Purus protected area (the most remote jungle of Peru,

jutting into Brazil) found extensive illegal logging as well as waste (leaving imperfect felled mahogany trees to rot). They also found exploitation of indigenous peoples. In this case, local residents hired by loggers are charged large amounts for living essentials, logging equipment and transportation and are paid pittance for labor and the trees. INRENA's November news letter highlights a recent report by the International Labor Organization reporting pseudo-slavery conditions of indigenous communities in the forest sector.

#### INADEQUATE PERSONNEL AND CORRUPTION IN LAW ENFORCEMENT

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¶10. (SBU) In another anecdote from the Madre de Dios department, southeast of Lima, international NGO sources we find credible told us of mahogany logs in police and military planes arriving in Pucallpa from an area in the Alto Purus protected area where there are no logging concessions or indigenous permits. (Note: Police contacts tell us that the logs transported in police aircraft have appropriate documentation, suggesting chain of custody fraud somewhere. End Note.)

¶11. (SBU) INRENA forestry officials told ESTH officer of enforcement issues during field trips to Yanachaga-Chemiyin national park in February and eco-tourist buffer zones near Iquitos in August. The officials reported similar problems in both areas: in order to have police arrest illegal loggers and seize the wood, they had to supply police officials with fuel for police boats and vehicles. Conversations with INRENA officials in October revealed that this

situation has not changed; police officials continue to report to INRENA officials insufficient resources to conduct enforcement actions.

¶12. (SBU) ESTH off discussed illegal logging with representatives of the local indigenous NGO AIDER in September and October. While AIDER reports that their organization successfully resists the labor exploitation problem, illegal logging on their land by outsiders is their greatest problem; INRENA officials and police are too few in number and unwilling to confront the illegal loggers that AIDER members identify.

#### CERTIFICATION, INVENTORY, GARCIA: A START

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¶13. (SBU) Efforts to make a dent in illegal logging have just begun. President Garcia took office on July 28, promising a policy of sustainable forestry. With USAID support, the GOP has begun to certify the forest, but so far only managed 400,000 hectares out of 7 million concessioned. Forest certification identifies social, economic and environmental indicators and provides benchmarks that are internationally recognized as best practices in these different areas. Agriculture Minister Jose Salazar announced a goal to reach one million certified hectares by the end of 2007. A mahogany inventory is underway, but in only three of the seven departments where mahogany is found. Salazar has also begun to restructure INRENA to promote greater transparency and efficiency.

#### COMMENT:

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¶14. (U) It will take time for policy changes to reach the remote areas where illegal logging takes place. Without minimizing the seriousness of the illegal logging that endures in Peru, we note several factors have come together to suggest improvement in the coming year. President Garcia has installed a new team that acknowledges past mistakes and has solid ideas for the future. USAID, in partnership with local and international NGOs, GOP and private sector partners has made solid progress in forest certification. USG continues to monitor the situation closely and systematically.

¶15. Nevertheless, serious problems remain for Peru's management of this vital natural resource, including poor enforcement of existing laws, INRENA'S cumbersome bureaucratic structure and continued widespread corruption. Peru's selection as a MCC Threshold country this year might be an opportunity to focus further on corruption in forest management.

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